

Message Text

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E.O. 11652: NA

TAGS: BEXP, EPAP, BU

SUBJECT: U.S. TOBACCO IMPORTS FROM BULGARIA

SECSTATE ALSO FOR EUR/EE; USDOC FOR BEWT

1. PHILIP MORRIS REP CALLED ON EMBOFF APRIL 7 TO DISCUSS ORIENTAL TOBACCO SITUATION IN BALKAN REGIONS. IN DISCUSSING 1974 CROP, HE DREW FOLLOWING CHART WITH PRICES US DOLLARS PER KILO (FOR ROUGH EQUIVALENCIES OF TOBACCO GRADES READ ACROSS):

TURKED	GREECE	BULGARIA
AG \$2.95	I/III \$3.75	I/III \$2.80
B 2.55	N/A	III AG 2.50
K 1.60	IV 1.80	IV 1.75

2. REP INDICATED THAT WHILE QUALITY OF BULGARIAN ORIENTAL LEAF NOT EQUIVALENT TO THAT OF GREECE, IT WAS STILL SUPERIOR TO TURKISH WHICH IS GREATEST OF THREE IN QUANTITY. NONETHELESS, EVEN WITHOUT MFN STATUS RESULTING IN \$0.53 TARIFF PER KILO FOR BULGARIAN LEAF, BULGARIAN ORIENTAL TOBACCO IS COMPETITIVE. PHILIP MORRIS REP FURTHER STATED INITIAL INDICATIONS ARE THAT GREEK PRICES FOR 1975 ORIENTAL LEAF CROP MAY REACH \$5 PER KILO. WHILE HE EXPRESSED OPINION PRICES WOULD FALL FOR 1976 CROP, HE ALSO STATED THAT SOME

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SUBSTITUTION WOULD TAKE PLACE FOR ORIENTAL LEAF IN US CIGARETTE

PRODUCTION AND IMPLIED BULGARIAN LEAF MAY BECOME EVEN MORE ATTRACTIVE TO US FIRMS.

3. US PURCHASE OF BULGARIAN LEAF APPARENTLY ONLY BEGAN WITH FEW ODD LOT PURCHASES IN 1973. IN 1974 CENSUS BUREAU STATISTICS INDICATE US IMPORTED SLIGHTLY OVER \$4 MILLION WORTH OF TOBACCO IN ACTION DESCRIBED BY PHILIP MORRIS REP AS "GETTING OUR FEET WET". IN 1975 HE STATED PHILIP MORRIS IS PURCHASING 1 MILLION KILOGRAMS BULGARIAN TOBACCO OF I/III GRADE QUALITY. HE ALSO ESTIMATED THAT SOCOTAB, WHICH REPRESENTS MOST OF OTHER LARGE US TOBACCO MANUFACTURERS, WAS PURCHASING ABOUT 6 MILLION KILOS, MOSTLY OF GRADE I/III BUT SOME OF GRADE IV QUALITY. HE ESTIMATED TOTAL VALUE OF PURCHASES DESTINED FOR US, AT ABOUT \$20 MILLION. THIS WOULD BE IN SPITE OF DROUGHT LAST YEAR WHICH SOME SOURCES HAVE ESTIMATED CUT BULGARIAN TOBACCO HARVEST BY 10 PERCENT OR MORE OVER 1973.

4. WHILE NOT A TECHNICAL SPECIALIST, PHILIP MORRIS REP DID TOUR SOUTHERN BULGARIAN TOBACCO REGIONS RECENTLY AND NOTED THAT PROSPECTS FOR HARVEST LOOKED EXCELLENT FOR 1975. MOISTURE SEEMED ADEQUATE AND CROPS LOOKED QUITE HEALTHY. WHILE IMPOSSIBLE TO PREDICT AT PRESENT, PRESUMPTION IS THAT BULGARIA WILL HAVE MUCH MORE ORIENTAL LEAF AVAILABLE FOR WESTERN MARKET FOLLOWING THIS YEAR'S HARVEST THAN LAST. HERZ

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